

Thomas J. Bourassa
CERTIFIED PUBLIC ACCOUNTANT
139 W. Wood Drive
Phoenix, Arizona 85029



0000099365

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2009 JUN 15 12 3:49

June 15, 2009

Elijah Abinah
Acting Chief, Financial and Regulatory Section
Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007-2927

Arizona Corporation Commission
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DOCKETED BY	
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Re: Virgin Mountain Utilities
Application for rate increase - Docket No. W-03551A-09-0205

Dear Mr. Abinah,

In reference to the Letter of Deficiency dated April 30, 2009, the Company hereby submits responses to Staff's deficiency items as follows:

Item BCA 1.1 - Miscellaneous Service Charge Revenue (Page 18 of Application) -The Company added approximately 10 customers during the test year which should have been subject to a \$25 establishment of service charge. However, no "Other Revenue" is reported on the income statement. Please segregate the "Other Revenue" from the "Metered Revenue" or explain why there is no amount reported for the "Other Revenue" account.

Company Response – There is \$100 of other revenue recorded on the income statement for the test year reflecting 4 establishment fees. The Company inadvertently recorded another six establishment fees totaling \$150 as metered revenues. Please find the attached revised C-1.

Item BCA 1.2 - Plant Invoices (Attachment (2008 Plant Information, Page 13e of the Application) -Thank you for the plant invoices you provided. For each invoice, of the \$36,523 in transmission and distribution mains added in 2008, specify the amount recorded by NARUC plant account by year.

Company Response – As indicated by Page 13e (Year 2008), \$36,523 was recorded to NARUC Account 331- Transmission and Distribution Mains and \$1,653 was recorded to NARUC Account 348 – Other Tangible Plant. These were the only two accounts to which plant costs were recorded. In the invoice package for 2008 that was provided in the initial application, an invoice totaling \$1,653 was clearly marked as recorded to

NARUC Account 348. The balance of the invoices provided for 2008 are for NARUC Account 331.

Item BCA 1.3 - 1-inch meter size (Page 17 of the Application) -The Company shows a customer with 1-inch meter size. Please explain if the 1-inch meter has been installed, is being used, and why no bill count is provided.

Company Response - The Company does have a 1 inch meter but it has only been used for standpipe service in the past. The Company did not use this meter during the test year.

Item BCA 1.4 - Arizona Department of Revenue (ADOR) letter of good standing -Please provide ADOR certificate of compliance letter of good standing.

Company Response - The Company has submitted a request to the Arizona Department of Revenue ("ADOR"). However, it is still pending at this time. The Company will provide as soon as it is received from ADOR.

Item DH 1.5 - Please provide a copy of the Company's Curtailment Tariff.

Company Response – Please find the attached Tariff for Virgin Mountain Utilities containing the Curtailment Tariff.

Item DH 1.6 - Please provide a copy of the Cross Connection Tariff.

Company Response - Please find the attached Tariff for Virgin Mountain Utilities containing the Cross Connection Tariff.

Item DH 1.7 - Based on the water usage data in the test year, the existing system is capable to serve six additional connections. Please provide the proposed growth rate for the next five years. If the existing system does not have adequate production and storage capacity to serve existing customers and next five year growth, the Company needs to provide its plan to show how to manage the water usage demand.

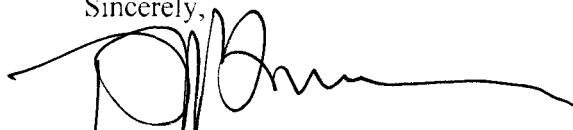
Company Response - The Company expects very little growth over the next 5 years. It expects zero customer growth for the next 2 years and an additional 3 to 5 customers per year thereafter. The Company believes that its water usage during the test year was high due to the fact that for the first six months of the year it incorrectly billed water usage and customers were not receiving the correct price signal for high water usage. The Company believes that water usage in the future will be far less. Under the proposed rate design customers will receive a very strong water conservation price signal. Water usage is expected to be more in line with the engineering analysis of its system. According to the Company's engineering report from Leslie & Associates and based ADWR standards, the system is capable of serving far more than an additional six connections. See attached.

Item DH 1.8 - According to Approval to Construct (issued by ADEQ in 1999), the Company would install a standpipe in the system. However, there is no information about this standpipe. Please (1) state the standpipe meter size, and (2) clarify if the water sold and numbers of customers information in the water usage data included water sold to standpipe customers.

Company Response - The Company has an 8 inch standpipe but current has no meter attached. The Company has used a 1 inch meter to deliver water for standpipe service in the past. There was no standpipe water sold during the test year.

If you have any questions, or require further assistance, please contact me at 602-246-7150.

Sincerely,



Thomas J. Bourassa

Cc: Brendan Aladi, Utilities Division
Tom Stoddard, President, Virgin Mountain Utilities
Delbert Smith, Staff Engineering

Company Name: Virgin Mountain Utilities Company	Test Year Ended: December 31, 2008
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COMPARATIVE STATEMENT OF INCOME AND EXPENSES

REVISED

	OPERATING REVENUES	PRIOR YEAR	TEST YEAR	Ref	ADJMT	ADJUSTED TEST YEAR
461	Metered Water Revenue	\$ 36,972	\$ 36,833	1	9,619	\$ 46,452
460	Unmetered Water Revenue	3,809	-			-
474	Other Water Revenues	-	250			250
	TOTAL REVENUES	\$ 40,781	\$ 37,083			\$ 46,702
	OPERATING EXPENSES					
601	Salaries and Wages	\$ 4,620	\$ 13,572			\$ 13,572
610	Purchased Water	-	-			-
615	Purchased Power	1,942	3,041			3,041
618	Chemicals Water Testing	-	-			-
619	Water Treatment	-	-			-
620	Repairs and Maintenance	7,978	3,173			3,173
621	Office Supplies and Expense	2,012	645			645
630	Outside Services	18,109	6,640			6,640
635	Water Testing	1,943	2,105			2,105
641	Rents	1,425	-			-
650	Transportation Expenses	148	1,800			1,800
657	Insurance - General Liability	-	1,748			1,748
659	Insurance - Health & Life	-	-			-
666	Reg. Commission Expense		-	4	1,875	1,875
675	Miscellaneous Expense	5,285	2,092			2,092
680	Sales Tax		-			-
403	Depreciation	8,797	10,209	2	(1,240)	8,969
408	Taxes Other Than Income	733	1,874			1,874
408.11	Property Taxes	595	619	3	2,095	2,714
670	Bad Debt Expense		-			-
409	Income Tax	-	-			-
	TOTAL OPERATING EXP.	\$ 53,587	\$ 47,518			\$ 50,248
	OPERATING INC.(LOSS)	\$ (12,806)	\$ (10,435)			\$ (3,546)
	OTHER INC./(EXPENSE)					
419	Interest and Dividend Income	\$ 662	\$ 627			\$ 627
421	Non-Utility Income	-	-			-
426	Miscellaneous Non-Utility Income	-	-			-
427	Interest Expense	-	-			-
	TOTAL OTHER INC.(EXP.)	\$ 662	\$ 627			\$ 627
	NET INCOME/(LOSS)	\$ (12,144)	\$ (9,808)			\$ (2,919)

Revised 10/28/2003

Company Name:	Test Year Ended:
Virgin Mountain Utilities Company	December 31, 2008

COMPARATIVE STATEMENT OF INCOME AND EXPENSES **REVISED**

	OPERATING REVENUES	PRIOR YEAR	TEST YEAR	Ref	ADJMT	ADJUSTED TEST YEAR	Proposed Rates	Proposed Test Year
461	Metered Water Revenue	\$ 36,972	\$ 36,833		9,619	\$ 46,452	44,602	\$ 91,054
460	Unmetered Water Revenue	3,809	-		-	-	-	-
474	Other Water Revenues	-	250		-	250	-	250
	TOTAL REVENUES	\$ 40,781	\$ 37,083		-	\$ 46,702		\$ 91,304
	OPERATING EXPENSES							
601	Salaries and Wages	\$ 4,620	\$ 13,572		-	\$ 13,572		\$ 13,572
610	Purchased Water	-	-		-	-		-
615	Purchased Power	1,942	3,041		-	3,041		3,041
618	Chemicals Water Testing	-	-		-	-		-
619	Water Treatment	-	-		-	-		-
620	Repairs and Maintenance	7,978	3,173	4	-	3,173		3,173
621	Office Supplies and Expense	2,012	645		-	645		645
630	Outside Services	18,109	6,640		-	6,640		6,640
635	Water Testing	1,943	2,105		-	2,105		2,105
641	Rents	1,425	-		-	-		-
650	Transportation Expenses	148	1,800		-	1,800		1,800
657	Insurance - General Liability	-	1,748		-	1,748		1,748
659	Insurance - Health & Life	-	-		-	-		-
666	Reg. Commission Expense	-	-	3	1,875	1,875		1,875
675	Miscellaneous Expense	5,285	2,092		-	2,092		2,092
680	Sales Tax	-	-		-	-		-
403	Depreciation	8,797	10,209	1	(1,240)	8,969		8,969
408	Taxes Other Than Income	733	1,874		-	1,874		1,874
408.11	Property Taxes	595	619	2	2,095	2,714		2,714
670	Bad Debt Expense	-	-		-	-		-
409	Income Tax	-	-		-	-		-
	TOTAL OPERATING EXP.	\$ 53,587	\$ 47,518		-	\$ 50,248		\$ 50,248
	OPERATING INC. (LOSS)	\$ (12,806)	\$ (10,435)			\$ (3,546)		\$ 41,056
	OTHER INC. / (EXPENSE)							
419	Interest and Dividend Income	\$ 662	\$ 627		-	\$ 627		\$ 627
421	Non-Utility Income	-	-	5	-	-		-
426	Miscellaneous Non-Utility Income	-	-		-	-		-
427	Interest Expense	-	-		-	-		-
	TOTAL OTHER INC. (EXP.)	\$ 662	\$ 627		-	\$ 627		\$ 627
	NET INCOME / (LOSS)	\$ (12,144)	\$ (9,808)			\$ (2,919)		\$ 41,683

VIRGIN MOUNTAIN UTILITIES COMPANY

DOCKET W-03551

TARIFF

Issued: January 16, 2006

Effective: February 15, 2006

ISSUED BY:

Thomas G. Stoddard, Secretary
Virgin Mountain Utilities Company
P.O. Box 668
Littlefield, Arizona 86432

DOCKET W-03551

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PART TWO

STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE

IV. CURTAILMENT PLAN FOR VIRGIN MOUNTAIN UTILITIES
COMPANY ADEQ Public Water System Number: 37-181

Virgin Mountain Utilities Company ("Company") is authorized to curtail water service to all customers, within its certificated area under the terms and conditions listed in this tariff.

This curtailment plan shall become part of the Arizona Department of Environmental Quality Emergency Operations Plan for the Company.

The Company shall notify its customers of this new tariff as part of its next regularly scheduled billing after the effective date of the tariff or no later than sixty (60) days after the effective date of the tariff.

The Company shall provide a copy of the curtailment tariff to any customer, upon request.

Stage 1 Exists When:

Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, Company is deemed to be operating normally and no curtailment is necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

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PART TWO

STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE

Stage 2 Exists When:

- a. Company's water storage or well production has been less than 80 percent of capacity for at least 48 consecutive hours, and
- b. Company has identified issues such as steadily declining water table, an increased draw-down threatening pump operations, or poor water production creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each service address, or by United States first class mail to the billing address or, at the Company's option both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.

Stage 3 Exists When:

- a. Company's total water storage or well production has been less than 50 percent of capacity for at least 24 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

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PART TWO**STATEMENT OF TERMS AND CONDITIONS**
WATER SERVICE

Restrictions: Under Stage 3, Company shall request the customer to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed whenever possible. Standpipe service shall be suspended.

Notice Requirements:

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Beginning with Stage 3, Company shall post at least four signs showing the curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivision served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 3.

Once Stage 3 has been reached, the Company must begin to augment the supply of water by either hauling or through an emergency interconnect with an approved water supply in an attempt to maintain the curtailment at a level no higher than Stage 3 until a permanent solution has been implemented.

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Thomas G. Stoddard, Secretary
Virgin Mountain Utilities Company
P.O. Box 668
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PART TWO

STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE**Stage 4 Exists When:**

- a. Company's total water storage or well production has been less than 25 percent of capacity for at least 12 consecutive hours, and
- b. Company has identified issues such as a steadily declining water table, increased draw down threatening pump operations, or poor water production, creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis.

Restrictions: Under Stage 4, Company shall inform the customers of a **mandatory** restriction to employ water conservation measures to reduce daily consumption. Failure to comply will result in customer disconnection. The following uses of water shall be prohibited:

- ◆ Irrigation of outdoor lawns, trees, shrubs, or any plant life is prohibited
- ◆ Washing of any vehicle is prohibited
- ◆ The use of water for dust control or any outdoor cleaning uses is prohibited
- ◆ The use of drip or misting systems of any kind is prohibited
- ◆ The filling of any swimming pool, spas, fountains or ornamental pools is prohibited
- ◆ The use of construction water is prohibited
- ◆ Restaurant patrons shall be served water only upon request
- ◆ Any other water intensive activity is prohibited

The Company's operation of its standpipe service is prohibited. The addition of additional service lines and meter installations is prohibited.

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Virgin Mountain Utilities Company
P.O. Box 668
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PART TWO**STATEMENT OF TERMS AND CONDITIONS
WATER SERVICE****Notice Requirements:**

1. Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such notice shall notify the customers of the general nature of the problem and the need to conserve water.
2. Company shall post at least four (4) signs showing curtailment stage. Signs shall be posted at noticeable locations, like at the well sites and at the entrance to the major subdivision served by the Company.
3. Company shall notify the Consumer Services Section of the Utilities Division of the Corporation Commission at least 12 hours prior to entering Stage 4.

Customers who fail to comply with cessation of outdoor use provisions will be given a written notice to end all outdoor use. Failure to comply with in two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outdoor water. To restore service, the customer shall be required to pay all authorized reconnection fees. If a customer believes he/she has been disconnected in error, the customer may contact the Commission's Consumer Services Section at 1-800-222-7000 to initiate an investigation.

Once Stage 4 has been reached, the Company must augment the supply of water by hauling or through an emergency interconnect from an approved supply or must otherwise provide emergency drinking water for its customers until a permanent solution has been implemented.

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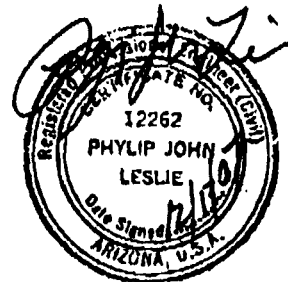
ISSUED BY:

Thomas G. Stoddard, Secretary
Virgin Mountain Utilities Company
P.O. Box 668
Littlefield, Arizona 86432

**DESIGN REPORT
VIRGIN MOUNTAIN UTILITIES COMPANY
WATER LINE EXTENSION
VIRGIN RIVER RANCHES SUBDIVISION
JOB # 436-07-01
December 2007**

Prepared for: VIRGIN MOUNTAIN UTILITIES COMPANY
P.O. Box 668
Beaver Dam, AZ 86432
(435) 229-2334

Prepared by: Leslie & Associates
444 South Main - Suite A-4
Cedar City, UT 84720
(435) 586-9474



INTRODUCTION

This application is for a waterline extension for Virgin Mountain Utilities Company to serve an additional 16 lots in the existing Virgin River Ranches Subdivision.

SCOPE OF WORK

This proposed project is located in Section 15, Township 39 North, Range 16 West, Gila and Salt River Base Meridian. The location is shown on the vicinity map (Appendix A).

The work includes the installation of 1393 feet of new 6-inch distribution piping together with fittings, valves and appurtenances on Riverside Drive. The project is a waterline extension from the existing Virgin Mountain Utilities Company distribution system that will extend from

EXISTING WELL

There is an existing well, submersible pump, 56,870 gallons storage, consisting of two 28,435 gallon storage tanks located in the NW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section 14 T39N, R16W G&SRM.

The well and tank site is located in FEMA Flood Zone "C", which is an area of minimal flooding. The facility is graded to direct runoff around and away from the facility. The water system is operated by the Virgin Mountain Utilities Company.

The well (ADWR 55-553309) was drilled in 1996. Virgin Mountain Utilities Company has obtained a letter of physical availability for 600 gpm from ADWR. There is a 7.5 hp submersible pump with a capacity of pumping 72 gpm.

The water quality data for the existing well will be submitted along with this report.

EXISTING TANK CAPACITY

The total volume of the two tanks is 56,870 gallons. The required water storage capacity for the system is the consumption of one day for all users within the system. ADEQ requires that each person have 100 gallons per day and is estimated that there be 3.5 persons per house, which equates to 350 gallons per lot per day. Currently there are only 65 lots using the system. So the total storage required at the present is 22,750 gallons.

PRESSURE SYSTEM DESIGN

The booster pump consists of two 7.5 hp variable frequency drive pumps. Currently three 110 gallon hydro-pneumatic tanks are used in series. The Variable Frequency Drive system is set to maintain a constant pressure between 82 and 85 psi, which is within the bounds requested ($20 < \text{psi} < 100$).

WATER STORAGE TANK CAPACITY

The ADEQ requirement for average annual daily domestic flow for the proposed system is $100 \times \text{gallons per person} \times 3.5 \text{ persons per lot} = 350 \text{ gallons per lot}$. The new extension will include 16 lots, therefore will require an increase of 5600 gallon storage from the previous requirement of 22,750. So $5,600 + 22,750 = 28,350$ gallons total will be required as storage. The total volume of the two tanks is 56,870 gallons. Clearly, storage tank capacity will be sufficient.

WELL PUMP

At full build-out the estimated 824 lots within the service area require a well pump that can produce 350 gallons per lot within a 24 hour period or 288,400 gallons. A well pump that can produce 300 gpm will need to pump approximately 16 hours per day to produce the required volume.

FIRE FLOW

The existing and the proposed areas are not located within a fire district.

NEW DISTRIBUTION LINE

There is an existing 10"x 10"x 6" tee, valve and plug at the intersection of Elbow Canyon Road and Riverside Drive where the extension of a 6" water main will continue north on Riverside Drive for 1393 feet, potentially servicing 16 lots on the street.

A hydraulic analysis was performed for the proposed water system improvements using WaterCAD (Heastad Methods).